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Reviewed Petty Cash Policy

2018/2019



TABLE OF CONTENTS

1. DEFINITIONS.....	3
2. OBJECTIVE.....	3
3. METHODOLOGY OF OPERATION.....	3
4. PETTY CASH ADVANCE AND REQUEST FORM	4
5. AUTHORISATION OF PETTY CASH ISSUED.....	5
6. AUTHORISED LIMIT FOR PETTY CASH	5
7. PROHIBITED EXPENSES FOR THE USE OF PETTY CASH	5
8. RECONCILIATION OF PETTY CASH FLOAT	6
9. REPLENISHMENT OF PETTY CASH	8
10. PETTY CASH REGISTER	9
11. GENERAL PROVISIONS	9
12. POLICY ADOPTION.....	10

1. DEFINITIONS

In this policy, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Municipal Finance Management Act (MFMA) No. 56 of 2003, has the same meaning.

“CFO” means the Chief Financial Officer of Bitou Municipality, a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003.

“GRAP” means the Generally Recognised Accounting Standards.

“HOD” head of department

“Municipal Manager” means a person appointed as the Accounting Officer of Bitou Municipality.

“Municipality” means Bitou Municipality

“Petty Cash” means a small amount of cash kept by the Municipality for expenses.

2. OBJECTIVE

The objective of this policy is to regulate the use of Petty Cash Float within Bitou Municipality and to ensure that in disbursing Petty Cash funds the Municipality is within the ambit of Municipal Finance Management Act (MFMA), 56 of 2003.

3. METHODOLOGY OF OPERATION

- 3.1 The float of the Petty Cash Policy as approved by Council must be kept by the CFO in the Finance Department.
- 3.2 The custodian of Petty Cash is the CFO who keeps the cash under lock and key all the time.

- 3.3 The original issuance of Petty Cash shall be approved by the CFO or delegated official, who will also approve any increase, for whatever reason, in the float of Petty Cash.
- 3.4 Quotations may be requested but not compulsory, it is not compulsory for the selected suppliers to be registered in the Municipal suppliers' database.
- 3.5 All submissions regarding the request to utilise Petty Cash must be forwarded to the CFO or delegated official at least one day before the date in which petty cash is required. Poor planning will not be a justifiable reason to deviate from this provision.
- 3.6 The CFO or delegated official may make random inspections of the Petty Cash as he deems fit at least once on quarterly basis.

4. PETTY CASH ADVANCE AND REQUEST FORM

- 4.1 An official Petty Cash requisition form must be used for all Petty Cash requisitions. Petty cash used shall be accounted for (e.g. slips) within five days (5) from the day when Petty Cash was issued. This period will exclude public holidays and weekends. Failure to do so would result in the drawn amount being immediately deducted from the salary of the requester without prior consultation. An affidavit must be obtained where slips have been lost.
- 4.2 The Petty Cash requisition form must include:
- Reason for Petty Cash,
- Description of goods procured/service rendered,
- Amount requested (not exceeding R500.00),
- Amount used for purchasing,
- Change returned, if any.
- Vote number,
- Petty Cash requestor,

Supported by HOD or the responsible Divisional Manager,
Person authorising, e.g. CFO or delegated official.

5. AUTHORISATION OF PETTY CASH ISSUED

- 5.1 When Petty Cash is required, the originator must complete a Petty Cash requisition form and supported by the Responsible Divisional Manager or Head of Department (HOD). Thereafter, the CFO or delegated official must approve the submitted requisition form.
- 5.2 Purchasing of goods and services may only take place after the approval to utilize Petty Cash has been granted by the CFO or delegated official. Only in the situation of urgent and emergency cases, the responsible Manager or HOD must grant permission to proceed with the petty cash transaction.

6. AUTHORISED LIMIT FOR PETTY CASH

- 6.1 The Petty Cash float will be maintained at R10 000.00 per month.
- 6.2 The requisitioned amount must not exceed a maximum amount of R2 000.00 per transaction as outlined in the Municipal Supply Chain Management Policy unless otherwise motivated and approved by the Chief Financial Officer with the provision that the amount may not exceed the limits as determined in accordance with the Municipal Supply chain regulations applicable to petty cash purchases.

7. PROHIBITED EXPENSES FOR THE USE OF PETTY CASH

Use of Petty Cash is prohibited for the below expenses:

- 7.1 No item that may be procured on contract basis may be purchased through petty cash, except in cases where the referred procurement is of critical nature and such an item is not available from the contracted supplier.
- 7.2 No stock items may be procured through petty cash, except in the case of where the referred procurement is of critical nature and such an item is not available from the contracted supplier.
- 8.3 No items in relation to day to day maintenance, stationery, airtime, petroleum, subsistence and travelling claims may be procured through petty cash, except in the case of where it is considered necessary to do so. However, procurements such as parking and toll-gate costs may be procured through petty cash.
- 8.4 The related low valued items which are required to be purchased repetitively on a daily, weekly and monthly basis may not each time be purchased by means of Petty Cash. These requirements have to be consolidated, quantified and therefore procured through the normal procurement process, e.g. coffee and milk for the boardrooms committee meetings if these items are required on a daily, weekly and monthly.

8. RECONCILLIATION OF PETTY CASH FLOAT

- 8.1 Petty Cash register must be balanced and reconciled by the Petty Cash officer prior to replenishing of funds. The procedure for the replenishing of Petty Cash will be as follows:
- i. Counting of Petty Cash on hand and confirm the monthly closing balance of cash on hand,
 - ii. The closing balance of cash on hand must equates the balance reflecting on the Petty Cash register,

- iii. All receipts/invoices must be added up and submitted as proof of payment. The total of the receipts/invoices must agree to the total reflecting on the Petty Cash register.
 - iv. The total Petty Cash as at the beginning of the month plus receipts less payments for the month must be verified that it equates to the Petty Cash on hand at the end of month.
 - v. The Petty Cash total on hand must reconcile with the requisition forms, vouchers and other supporting documentation.
- 8.2 The reconciliation procedure as stated above should be performed as part of the month-end procedures, where it's ensured that the Petty Cash Float balances to the closing ledger balances.
- 8.3 The Petty Cash Officer, responsible for the review of the Petty Cash funds and petty cash register, must sign the reconciliation documents as proof of review.
- 8.4 The Chief Financial Officer, internal or external auditors may, without prior notice, perform random audit on petty cash transactions as well as the petty cash float.
- 8.5 Internal Audit should also perform random inspections on Petty Cash, at least once per quarter.
- 8.6 In performing random inspections as per 9.5 above, the Internal Audit should the following procedures:
- i. Inspection of Petty Cash Vouchers to ensure that all items on vouchers are items usually used by the municipality in the execution of duties and that no purchases were made for personal use,
 - ii. Performing cash counts, in the presence of the official responsible for Petty Cash.

8.6 Any shortage or surplus funds must immediately be paid in at the cashier and the reason for the shortage/surplus must be investigated by the senior official appointed by Municipal Manager or Chief Financial Officer for rectification.

8.7 At year-end, a cash count should be performed on all advances to ensure that the cash on hand reconciles with the general ledger account. A cash count working-paper should be prepared as evidence of the cash count (preferably by an Internal Auditor), the cashier and senior official within the Income Division should sign the working paper as evidence of the cash count.

9. REPLENISHMENT OF PETTY CASH

9.1 Petty Cash Float shall be reimbursed by means of an uncrossed cheque where such replenishment will be approved by Chief Financial Officer or Manager: Expenditure. The Petty Cash shall be reimbursed by means of a cheque processed through the normal financial system in use.

9.2 The schedule of Petty Cash vouchers (Petty Cash expenses) should be drawn up for approval by the Manager: Expenditure before the issuing of a reimbursement cheque.

9.3 Replenishment of the Petty Cash Float will be undertaken after the balancing and reconciliation of the Petty Cash register has been checked and approved by the Chief Financial Officer or Manager: Expenditure.

9.4 A cheque must be made out to the Town Treasurer (Bitou Municipality) for the replenishment of the Petty Cash Float and such cheque must be cashed by the Petty Cash Officer whom must then record the amount received in the Petty Cash register.

10. PETTY CASH REGISTER

The keeping of a formal Petty Cash register is compulsory for Bitou Municipality.

11. GENERAL PROVISIONS

11.1 Commencement

This Policy will come into effect on the date of adoption by Council.

11.2 Interpretation of this policy:

- All words contained in this policy shall have the ordinary meaning attached thereto, unless the definition or context indicates otherwise.
- The dispute on interpretation of this policy shall be declared in writing by any party concerned.
- The Office of the Municipal Manager shall give a final interpretation of this policy in case of written dispute.

11.3 Permanent/temporary waiver or suspension of this policy

- This policy may be partly or wholly waived or suspended by the Municipal Council on temporary or permanent basis.
- The Municipal Manager may under circumstances of emergency temporarily waive this policy subject to reporting of such waiver or suspension to Council.

11.4 Compliance and enforcement

- Violation of or non-compliance with this policy will give a just cause of disciplinary steps to be taken.
- It will be the responsibility of Council to enforce compliance with this policy.

11.5 Amendment and /or abolition of this policy:

This policy maybe amended or repealed by Council it may deem necessary.

12. POLICY ADOPTION

This policy has been considered and approved by the Council of Bitou Municipality.